

Part 1 of 2

ADMINISTRATIVE MESSAGE

PRIORITY

P 022110Z OCT 01 ZYB MIN PSN 355814F26

FM CNO WASHINGTON DC//N1//

TO NAVADMIN

THIS IS A 4 SECTIONED MSG COLLATED BY MDS

UNCLAS //N07000//

NAVADMIN 258/01

PART ONE OF TWO - PART TWO IDENT IS 022112Z OCT 01

MSGID/GENADMIN/N1//

SUBJ/IMPLEMENTING GUIDANCE ON UNIFORMED SERVICES THRIFT SAVINGS PLAN
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REF/A/DOC/FY-00 NDAA/05OCT1999//

REF/B/DOC/FY-01 NDAA/30OCT2000//

REF/C/DOC/DOD/01JAN1999//

REF/D/DOC/DOD/31OCT2000//

REF/E/DOC/DOD/01MAY2001//

REF/F/DOC/DOD/01MAY2001//

REF/G/DOC/DOD/01AUG2001//

REF/H/DOC/DOD/01AUG2001//

NARR/REF A IS PUBLIC LAW IAW 106-65, SEC 661. REF B IS PUBLIC LAW 106-398, SEC 661. REF C IS TITLE 5, CODE OF FEDERAL REGULATIONS (CFR), CHAPTER 6. REF D IS DOD DIRECTIVE 1341.4, THRIFT SAVINGS PLAN (DRAFT). REF E IS DODFMR, VOLUME 7A, CHAPTER 31 SAVINGS PROGRAM (DRAFT). REF F IS DODFMR. VOLUME 7C, CHAPTER 10, TSP (DRAFT). REF G IS TSP WEBSITE: WWW.TSP.GOV. REF H IS TSP BULLETINS, FEDERAL RETIREMENT THRIFT INVESTMENT BOARD.//

RMKS/1. STARTING 9 OCT 01, YOU ARE ELIGIBLE TO JOIN THE THRIFT SAVINGS PLAN (TSP) IF YOU ARE ON ACTIVE DUTY OR A NAVAL RESERVIST IN A PAY STATUS. BY PARTICIPATING IN TSP, YOUR ACCOUNT CAN GROW FROM THE EARNINGS ON YOUR CONTRIBUTIONS, AND THOSE EARNINGS, IN TURN, WILL ACCRUE MORE EARNINGS AND YOU ALSO SAVE MONEY ON TAXES AT THE SAME TIME. THIS METHOD OF ACCUMULATING WEALTH IS KNOWN AS COMPOUNDING, AND THE LONGER YOUR MONEY IS IN YOUR ACCOUNT, THE MORE YOU CAN BENEFIT FROM IT. WITH TSP YOU HAVE THE FLEXIBILITY TO CONTRIBUTE AS LITTLE AS ONE PERCENT, OR AS MUCH AS SEVEN PERCENT OF YOUR BASE PAY IN 2002; PLUS ANY AMOUNT OF INCENTIVE PAY OR SPECIAL PAY, INCLUDING BONUS PAY UP TO THE INTERNAL REVENUE LIMITS. YOUR

TSP CONTRIBUTIONS ARE TAKEN OUT OF YOUR PAY BEFORE TAXES ARE COMPUTED, SO YOU PAY LESS TAX NOW. IN ADDITION, TSP EARNINGS ARE TAX-DEFERRED. THIS MEANS YOU DON'T PAY FEDERAL (AND, IN MOST CASES, STATE) INCOME TAXES ON YOUR CONTRIBUTIONS OR EARNINGS UNTIL YOU WITHDRAW THE MONEY - USUALLY AT RETIREMENT, WHEN YOU ARE IN A LOWER TAX BRACKET. YOU CAN DIVERSIFY YOUR TSP INVESTMENT AMONG FIVE DIFFERENT INVESTMENT FUNDS. ADMINISTRATIVE AND INVESTMENT EXPENSES ASSOCIATED WITH THESE FUNDS ARE VERY LOW, AND YOU CAN EASILY CHANGE THE AMOUNTS YOU ALLOCATE TO THE DIFFERENT FUNDS AT ANY TIME BY USING THE TSP'S WEB SITE, CALLING THE THRIFTLINE (TSP'S INTERACTIVE VOICE RESPONSE SYSTEM), OR MAILING IN A FORM. YOU CAN ALSO TRANSFER YOUR TSP ACCOUNT BALANCE TO AN ELIGIBLE RETIREMENT PLAN WHEN YOU LEAVE FEDERAL SERVICE.

2. THIS NAVADMIN DISCUSSES ALL OF THESE BENEFITS AND DESCRIBES OTHER FEATURES OF THE TSP AS WELL. IT EXPLAINS HOW TO START CONTRIBUTING, SUMMARIZES YOUR INVESTMENT CHOICES, AND TELLS WHEN AND HOW YOU CAN TAKE A LOAN OR WITHDRAW YOUR MONEY. FINAL APPROVAL OF THE DEPARTMENT OF DEFENSE TSP DIRECTIVE IS PENDING. HOWEVER, POLICY AND RESPONSIBILITIES FOR ADMINISTERING TSP IN THE NAVY AS DISCUSSED IN THIS NAVADMIN ARE EFFECTIVE IMMEDIATELY.

3. TSP IS A RETIREMENT SAVINGS AND INVESTMENT PLAN ORIGINALLY ESTABLISHED FOR FEDERAL EMPLOYEES AS PART OF THE FEDERAL EMPLOYEES' RETIREMENT SYSTEM ACT OF 1986 (P.L. 99-335) CODIFIED IN 5 U.S.C. 8431-8440D. YOUR PARTICIPATION IN THE PLAN AS A UNIFORMED SERVICE MEMBER WAS AUTHORIZED BY THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FY 2000 (P.L. 106-65, OCTOBER 5, 1999) AND BY AN AMENDMENT IN THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FY 2001 (P.L. 106-398, OCTOBER 30, 2000). THE PLAN OFFERS TAX DEFERRAL ADVANTAGES SIMILAR TO THOSE IN AN INDIVIDUAL RETIREMENT ACCOUNT (IRA) OR 401(K) PLAN THAT ALLOWS YOU TO SAVE AND INVEST FOR YOUR OWN RETIREMENT. THE FEDERAL RETIREMENT THRIFT INVESTMENT BOARD (FRTIB) WHICH OPERATES THE PLAN SOLELY FOR THE BENEFIT OF THE PARTICIPANTS AND THEIR BENEFICIARIES, ADMINISTERS THE PLAN AND PUBLISHES REGULATIONS IN TITLE 5, CODE OF FEDERAL REGULATIONS AND OPERATING GUIDANCE IN PERIODIC BULLETINS.

4. FRTIB ADMINISTERS TSP AND CONTRACTS WITH THE U.S. DEPARTMENT OF AGRICULTURE'S NATIONAL FINANCE CENTER (NFC) TO SERVE AS THE TSP RECORD KEEPER.

5. FROM HEREON THE UNIFORMED SERVICES THRIFT SAVINGS PLAN WILL BE REFERRED TO AS THE UNIFORMED SERVICES TSP (UNISERV TSP), TSP, OR THE PLAN.

6. ELIGIBILITY TO PARTICIPATE. ANY MEMBER OF THE U.S. NAVY SERVING ON ACTIVE DUTY OR AS A PAID RESERVIST MAY PARTICIPATE IN THE UNISERV TSP.

7. SPECIAL OPEN SEASON. YOU CAN SIGN UP TO PARTICIPATE IN TSP DURING WHAT IS KNOWN AS AN "OPEN SEASON." A SPECIAL OPEN SEASON TO START THE TSP UNISERV PROGRAM BEGINS 9 OCT 01 AND ENDS 31 JAN 02. YOU CAN SUBMIT AN ELECTION FORM AT ANY TIME DURING THE SPECIAL OPEN SEASON, AND YOUR CONTRIBUTIONS WILL BEGIN THE FIRST PAYDAY OF JANUARY 2002 IF YOUR ENROLLMENT IS TRANSMITTED TO DEFENSE FINANCE AND ACCOUNTING (DFAS) BEFORE 8 DEC 01. IF YOUR ENROLLMENT IS

TRANSMITTED TO DFAS BETWEEN 8 DEC 01 AND 31 JAN 02 YOUR CONTRIBUTIONS WILL NOT BEGIN UNTIL THE SECOND PAYDAY OF JANUARY 2002 OR LATER.

8. REGULAR OPEN SEASON. AFTER THE SPECIAL OPEN SEASON YOU WILL HAVE TWO "OPEN SEASONS" PER YEAR TO ENROLL IN TSP OR CHANGE YOUR ELECTIONS. OPEN SEASONS ARE CURRENTLY 15 MAY THROUGH 31 JULY, AND 15 NOVEMBER THROUGH 31 JANUARY. MEMBERS CAN ELECT TO START OR CHANGE THEIR ELECTIONS DURING OPEN SEASONS. AN ELECTION FORM CAN BE SUBMITTED AT ANY TIME DURING AN OPEN SEASON, BUT CONTRIBUTIONS WILL NOT BEGIN BEFORE THE LAST FULL MONTH OF THE REGULAR OPEN SEASON, WHICH IS REFERRED TO AS THE ELECTION PERIOD.

9. ACCESSION ENROLLMENTS. INDIVIDUALS WHO ENLIST, REENLIST AFTER A BREAK IN SERVICE, OR ACCEPT A COMMISSION IN THE U.S. NAVY OR NAVAL RESERVE WILL BE ABLE TO PARTICIPATE IN TSP OUTSIDE OF REGULAR OPEN SEASONS. ENLISTEES AND NEWLY COMMISSIONED OFFICERS CAN ENROLL IN TSP WITHIN 60 DAYS OF EITHER BEING SWORN INTO ACTIVE DUTY OR ENTERING IN A PAY STATUS WITH THE NAVAL RESERVE. IF A MEMBER ENROLLS IN THE TSP DURING THIS 60-DAY WINDOW, THE ELECTION MUST BE MADE EFFECTIVE NO LATER THAN THE FIRST FULL PAY PERIOD AFTER THE ELECTION IS RECEIVED. AN ACTIVE DUTY AND RESERVE PAY PERIOD IN TSP IS DEFINED AS ONE MONTH. MEMBERS WHO DO NOT ENROLL DURING THIS 60-DAY PERIOD MAY CHOOSE ONE OF THE TWO "REGULAR OPEN SEASONS" EACH YEAR TO ENROLL THEREAFTER.

10. NAVY MEMBERS OF THE READY RESERVE WHO ARE ORDERED TO PERFORM PERIODS OF CONTINUOUS ACTIVE DUTY GREATER THAN 60 DAYS MAY MAKE TSP ELECTIONS OUTSIDE OF AN OPEN SEASON PROVIDED SUCH ELECTIONS ARE MADE WITHIN 60 DAYS OF THE BEGINNING OF THE ACTIVE DUTY. CONVERSELY, MEMBERS ON ACTIVE DUTY WHO ARE SUBSEQUENTLY ASSIGNED TO THE READY RESERVE IN ANY PAY STATUS MAY MAKE TSP ELECTIONS OUTSIDE OF AN OPEN SEASON, PROVIDED SUCH ELECTIONS ARE MADE WITHIN 60 DAYS OF THE BEGINNING OF THEIR READY RESERVE STATUS.

11. IF YOU ARE ASSIGNED TO A UNIT OR COMMAND WHOSE PAY AND PERSONNEL OFFICE IS UNABLE TO COMMUNICATE WITH DFAS DURING AN OPEN SEASON, YOU ARE AUTHORIZED A 60-DAY OPEN SEASON TO MAKE A TSP ELECTION STARTING THE DATE YOUR PAY AND PERSONNEL OFFICE RESUMES COMMUNICATIONS WITH DFAS.

12. IF YOU MAKE A TSP CONTRIBUTION FROM BASE PAY (OR FROM COMPENSATION RECEIVED UNDER SECTION 206 OF TITLE 37) YOU MAY ALSO CONTRIBUTE ANY BONUS, SPECIAL OR INCENTIVE PAY RECEIVED UNDER CHAPTER 5 OF TITLE 37 WITHIN INTERNAL REVENUE CODE (IRC) LIMITS. ELECTIONS ARE MADE BY USING FORM TSP-U-1 TO SHOW HOW MUCH YOU WANT TO CONTRIBUTE EACH PAY PERIOD (MONTH) FROM EACH CATEGORY OF PAY. THE AMOUNT OF THE CONTRIBUTION FROM EACH CATEGORY OF PAY MUST BE EXPRESSED ON FORM TSP-U-1 AS A WHOLE PERCENT. ALL CONTRIBUTIONS ARE DEDUCTED DIRECTLY FROM EACH CATEGORY OF PAY DESIGNATED ON YOUR TSP-U-1 FORM AND FORWARDED TO THE TSP RECORD KEEPER BY DFAS. ALL CONTRIBUTIONS MUST BE MADE THROUGH PAYROLL DEDUCTION. ONCE YOU RECEIVE BASE PAY, A BONUS, SPECIAL PAY OR INCENTIVE PAY BY CHECK OR DIRECT DEPOSIT, IT CANNOT BE RETURNED TO DFAS OR THE GOVERNMENT FOR DEPOSIT TO TSP.

13. THE MINIMUM AMOUNT OF BASE PAY NEEDED TO OPEN YOUR TSP ACCOUNT

IS ONE PERCENT PER PAY PERIOD (MONTH). THE MAXIMUM AMOUNT YOU CAN CONTRIBUTE FROM BASE PAY (OR COMPENSATION RECEIVED UNDER SECTION 206 OF TITLE 37) IS SET BY LAW TO THE FOLLOWING TABLE:

CALENDER YEAR	MAXIMUM ALLOWABLE FROM BASE PAY
2002	7 PERCENT
2003	8 PERCENT
2004	9 PERCENT
2005	10 PERCENT
2006 AND AFTER	UNLIMITED

THOUGH THE LIMITATION ON CONTRIBUTIONS FROM BASE PAY MAY BE INCREASED, THE TOTAL CONTRIBUTIONS FOR ANY GIVEN YEAR MAY NOT EXCEED THE LIMITATIONS UNDER IRC.

14. A BONUS, SPECIAL OR INCENTIVE PAY CAN ONLY BE CONTRIBUTED TO TSP IF YOU ARE CONTRIBUTING FROM YOUR BASE PAY. THE MINIMUM CONTRIBUTION FROM A BONUS, SPECIAL OR INCENTIVE PAY IS ONE PERCENT WHILE THE MAXIMUM AMOUNT IS SET BY IRC LIMITATIONS. IF YOU ARE ALREADY ENROLLED IN TSP WITH A CONTRIBUTION FROM YOUR BASE PAY, YOU ARE ALLOWED TO SUBMIT A BONUS ELECTION OUTSIDE OF AN OPEN SEASON. WHILE YOU CAN ONLY SUBMIT A SPECIAL OR INCENTIVE PAY ELECTION DURING AN OPEN SEASON, YOU CAN MAKE AN ELECTION IN ANTICIPATION OF BECOMING ENTITLED TO A BONUS, SPECIAL OR INCENTIVE PAY IN THE FUTURE. SHOULD YOU MAKE SUCH AN ELECTION, THE ELECTION WILL TAKE EFFECT WHENEVER YOU BECOME ENTITLED TO THE BONUS, SPECIAL OR INCENTIVE PAY. YOUR ELECTION REMAINS IN EFFECT UNTIL YOU CHANGE IT.

15. INTERNAL REVENUE CODE LIMITS. THE MAXIMUM ANNUAL DOLLAR AMOUNT YOU CAN CONTRIBUTE TO TSP IS LIMITED BY TWO PROVISIONS OF IRC THAT APPLY IN ADDITION TO THE LIMIT ON CONTRIBUTIONS FROM BASIC PAY.

A. ELECTIVE DEFERRAL LIMITS. SECTION 402(G) OF IRC (26 U.S.C. 402(G)) LIMITS THE AMOUNT OF INCOME YOU MAY ELECT TO DEFER UNDER ALL CASH OR DEFERRED ARRANGEMENTS (I.E. THE TSP OR A 401(K) PLAN) DURING A TAX YEAR. FOR 2002, THE ELECTIVE DEFERRAL LIMIT WILL BE \$11,000. FOR 2003, IT WILL BE \$12,000; FOR 2004, IT WILL BE \$13,000; FOR 2005, IT WILL BE \$14,000; AND FOR 2006, IT WILL BE \$15,000. THE SECTION 402(G) LIMIT DOES NOT APPLY TO TAX-EXEMPT CONTRIBUTIONS WHILE IN A COMBAT ZONE OR OTHER QUALIFIED HAZARDOUS DUTY AREA. TSP WILL NOT ACCEPT ANY CONTRIBUTIONS' YOU MAKE THAT EXCEED THE IRC SECTION 402(G) LIMIT. IF YOU CONTRIBUTE TO TSP AND ANY OTHER QUALIFIED EMPLOYER PLAN DESCRIBED AT IRC SECTIONS 401(K), 403(B), OR 408(K) AND YOUR CUMULATIVE CONTRIBUTIONS EXCEED THE TAXABLE INCOME LIMIT OF IRC SECTION 402(G) YOU MAY REQUEST A REFUND TO CONFORM WITH THE LIMIT. THE REQUEST MUST BE MADE USING TSP FORM ENTITLED, "REQUEST FOR RETURN OF EXCESS EMPLOYEE CONTRIBUTIONS TO PARTICIPANT." THE COMPLETED FORM MUST BE RETURNED TO THE NFC BY 20 FEB OF THE YEAR AFTER THE EXCESS CONTRIBUTIONS WERE MADE.

B. SECTION 415(C) OF THE IRC (26 U.S.C. 415(C)), LIMITS THE AMOUNT OF TOTAL EMPLOYEE AND EMPLOYER CONTRIBUTIONS TO YOUR TSP ACCOUNT EACH YEAR. THE CURRENT LIMIT IS THE LESSER OF \$40,000 OR 100% OF COMPENSATION. THIS SECTION APPLIES TO BOTH TAX-DEFERRED AND TAX-EXEMPT CONTRIBUTIONS MADE IN A COMBAT ZONE OR QUALIFIED HAZARDOUS DUTY AREA. IT PLACES AN ANNUAL LIMIT ON THE COMBINED AMOUNT THAT CAN BE CONTRIBUTED TO THE TSP AND TO ALL OTHER QUALIFIED EMPLOYER PLANS DESCRIBED UNDER SECTIONS 401(K), 403(B), OR 408(K) OF THE IRC. THE LIMIT APPLIES SEPARATELY TO EACH QUALIFIED PLAN YOU PARTICIPATE IN. HOWEVER, IF YOU CONTRIBUTE TO TSP AS A READY RESERVIST AND A FEDERAL CIVILIAN EMPLOYEE, YOUR TOTAL CONTRIBUTIONS

TO BOTH ACCOUNTS, INCLUDING YOUR AGENCY AUTOMATIC ONE -PERCENT CONTRIBUTION TO YOUR FEDERAL CIVILIAN ACCOUNT MAY NOT EXCEED THE SECTION 415(C) LIMIT. IF YOU CONTRIBUTE TO A CIVILIAN TSP ACCOUNT AND TO A MILITARY TSP ACCOUNT IN A SINGLE CALENDAR YEAR, THE ANNUAL LIMIT ON CONTRIBUTIONS WILL BE DERIVED FROM YOUR COMBINED MILITARY AND CIVILIAN COMPENSATION.

C. TAX EXEMPT CONTRIBUTIONS

(1) MOST COMPENSATION YOU RECEIVE WHEN YOU SERVE IN A COMBAT ZONE OR QUALIFIED HAZARDOUS DUTY AREA (QHDA) IS TAX-EXEMPT. YOU RECEIVE NO DIRECT TAX BENEFIT FROM CONTRIBUTING TAX-EXEMPT INCOME TO TSP; HOWEVER, THE EARNINGS ON THOSE CONTRIBUTIONS ARE TAX-DEFERRED. AT THE TIME YOU WITHDRAW YOUR ACCOUNT, NFC WILL CALCULATE THE AMOUNT OF YOUR WITHDRAWAL WHICH IS ATTRIBUTABLE TO YOUR TAX-EXEMPT CONTRIBUTIONS. THAT PORTION WILL NOT BE TAXABLE, BUT THE EARNINGS ATTRIBUTABLE TO IT WILL BE.

(2) TSP CONTRIBUTIONS FOR OFFICERS SERVING IN A COMBAT ZONE OR QHDA ARE TAKEN FROM TAX-EXEMPT PAY FIRST.

D. EFFECT OF IRC LIMITS ON TAX-EXEMPT CONTRIBUTIONS

(1) WHEN YOU CONTRIBUTE TAX EXEMPT BASE PAY, BONUSES, SPECIAL OR INCENTIVE PAY TO TSP, IT IS NOT SUBJECT TO THE 2002 \$11,000 LIMIT OF IRC SECTION 402(G). IT IS SUBJECT TO THE LIMITS OF IRC SECTION 415(C), WHICH LIMITS THE AMOUNT OF YOUR CONTRIBUTIONS TO TSP TO THE LESSER OF 100 PERCENT OF ALL COMPENSATION OR \$ 40,000 IN 2002. THUS, IN A YEAR IN WHICH YOU HAVE \$60,000 IN COMPENSATION, YOU CAN CONTRIBUTE \$40,000 TO TSP. COMPENSATION FOR THE PURPOSE OF DETERMINING THE IRC 415(C) LIMIT REFERS TO THE AMOUNT REPORTED IN BLOCK 1 OF IRS FORM W-2 AS WELL AS TAX-EXEMPT COMPENSATION FROM COMBAT ZONE OR QHDA.

(2) BASE PAY CONTRIBUTIONS TO TSP WHILE YOU ARE IN A COMBAT ZONE OR QHDA ARE SUBJECT TO THE MAXIMUM PERCENTAGE LIMITS IN IRC (SEVEN PERCENT IN 2002).

16. TSP OFFERS FIVE INVESTMENT FUNDS TO CHOOSE FROM. FR TIB MANAGES THE G FUND, AND CURRENTLY HAS CONTRACTS WITH BARCLAYS GLOBAL INVESTORS (BGI), A COMPANY OWNED BY BARCLAYS PLC, A PUBLICLY LISTED FINANCIAL SERVICES HOLDING COMPANY BASED IN LONDON, ENGLAND, TO MANAGE THE F, C, S, AND I FUND ASSETS. BARCLAYS INVESTS THE F, C, S, AND I FUND ASSETS IN INDEX FUNDS OPEN ONLY TO EMPLOYEE BENEFIT PLANS. THESE INDEX FUNDS ARE NOT OPEN TO INDIVIDUAL INVESTORS.

A. GOVERNMENT SECURITIES INVESTMENT (G FUND) IS INVESTED IN SHORT-TERM NONMARKETABLE U.S. TREASURY SECURITIES SPECIALLY ISSUED TO THE TSP. G FUND INVESTMENTS EARN INTEREST AT A RATE THAT IS EQUAL, BY LAW, TO THE AVERAGE RATE OF RETURN ON OUTSTANDING U.S. TREASURY MARKETABLE SECURITIES WITH FOUR OR MORE YEARS OF MATURITY. THE MATURITY OF THE SECURITIES IN THE G FUND CURRENTLY RANGES FROM ONE DAY (ON BUSINESS DAYS) TO FOUR DAYS (OVER HOLIDAY WEEKENDS). THERE IS NO CREDIT RISK (THAT IS, RISK THAT PRINCIPAL OR INTEREST WILL NOT BE PAID) FOR TREASURY SECURITIES IN THE G FUND. TREASURY SECURITIES IN THE G FUND ARE GUARANTEED BY THE U.S. GOVERNMENT. BECAUSE OF THE BOARD'S CURRENT POLICY OF INVESTING ONLY IN SHORT-TERM SECURITIES, THERE IS ALSO NO MARKET RISK IN THE G FUND. MARKET RISK IS THE RISK OF FLUCTUATIONS IN THE VALUE OF SECURITIES WHICH RESULTS FROM CHANGES IN OVERALL MARKET RATES OF INTEREST. THE VALUE OF FIXED-INCOME INVESTMENTS DECREASES AS THE GENERAL LEVEL OF INTEREST RATES IN THE ECONOMY RISES; IT INCREASES AS INTEREST RATES FALL. MARKET RISK IS GREATER FOR LONGER-TERM INVESTMENTS, SUCH AS THOSE IN THE F FUND. THEREFORE, IF YOU WANT LOW RISK, THE G FUND

MAY BE THE MOST APPROPRIATE INVESTMENT FUND FOR YOU. HOWEVER, G FUND RATES OF RETURN MAY WELL BE LOWER THAN THOSE OF THE OTHER TSP FUNDS OVER THE LONG-TERM.

B. FIXED INCOME INDEX INVESTMENT (F FUND) IS THE TSP'S BOND MARKET FUND. THE OBJECTIVE OF THE F FUND IS TO MATCH AS CLOSELY AS POSSIBLE THE RETURNS OF THE LEHMAN BROTHERS U.S. AGGREGATE (LBA) INDEX. AN INDEX THAT REPRESENTS THE U.S. GOVERNMENT, MORTGAGE - BACKED, CORPORATE (U.S. AND NON-U.S.) AND FOREIGN GOVERNMENT SECURITIES MARKET. IT THUS TRACKS THE OVERALL PERFORMANCE OF THE U.S. BOND MARKET. FIXED-INCOME SECURITIES REPRESENT OBLIGATIONS OF ISSUERS (BORROWERS) TO REPAY THE AMOUNT BORROWED (THE PRINCIPAL) TO HOLDERS OF THE SECURITIES WHEN THE SECURITY MATURES. "FIXED-INCOME" REFERS TO THE FACT THAT THE COUPON RATE (ANNUAL INTEREST RATE) OF EACH SUCH SECURITY IS SET, OR "FIXED" IN ADVANCE. THESE SECURITIES USUALLY PAY INTEREST SEMIANNUALLY UNTIL MATURITY. THE F FUND IS INVESTED IN SHARES OF THE BARCLAYS U.S. DEBT INDEX FUND, A COMMINGLED BOND INDEX FUND WHICH HOLDS A REPRESENTATIVE SAMPLE OF THE BONDS IN THE LBA INDEX. A COMMINGLED FUND IS A FUND IN WHICH THE ASSETS OF MANY PLANS ARE COMBINED AND INVESTED TOGETHER. THE F FUND HOLDS SHARES IN A WELL-DIVERSIFIED PORTFOLIO OF HIGH QUALITY (THAT IS, LOW CREDIT RISK) FIXED-INCOME SECURITIES WITH A BROAD RANGE OF ISSUERS, INDUSTRIES, AND MATURITIES. THE RISKS ASSOCIATED WITH THE F FUND ARE CREDIT RISK, MARKET RISK, AND PREPAYMENT RISK. CREDIT RISK IS THE RISK THAT AN ISSUER OF A FIXED-INCOME SECURITY WILL FAIL TO PAY INTEREST OR PRINCIPAL. THERE IS NO CREDIT RISK FOR THE TREASURY SECURITIES IN THE UNDERLYING FUND. CREDIT RISK IS OF CONCERN PRIMARILY WITH THE CORPORATE BOND HOLDINGS OF THE UNDERLYING INDEX FUND AND, TO SOME DEGREE, WITH CERTAIN MORTGAGE -BACKED SECURITIES. HOWEVER, CREDIT RISK IN THE F FUND IS REDUCED BECAUSE THE HOLDINGS FROM ANY INDIVIDUAL CORPORATE ISSUER MAKE UP ONLY A SMALL PART OF THE UNDERLYING INDEX FUND, AND BECAUSE ALL CORPORATE SECURITIES ARE INVESTMENT-GRADE SECURITIES. THERE ARE NO HIGH-RISK "JUNK BONDS" IN THE LBA INDEX. THE F FUND ALSO CARRIES MARKET RISK, THE RISK THAT THE MARKET VALUE OF THE INVESTMENT MAY FLUCTUATE AS INTEREST RATES FLUCTUATE. THE RISK IS REDUCED BY HOLDING SECURITIES WITH SHORTER MATURITIES, RATHER THAN HOLDING ONLY LONGER -TERM BONDS. NEVERTHELESS, MARKET RISK IS A MAJOR INFLUENCE ON THE RETURNS OF THE F FUND BECAUSE THE AVERAGE MATURITY OF SECURITIES IN THE LBA BOND INDEX IS APPROXIMATELY 8.4 YEARS, AS OF 31 DEC 00. THERE IS PREPAYMENT RISK FOR MORTGAGE -BACKED SECURITIES AND FOR CERTAIN CORPORATE BONDS THAT MAY BE "CALLED" I.E. PREPAID, BY THE ISSUERS. FOR MORTGAGE -BACKED SECURITIES, PREPAYMENT RISK IS THE RISK THAT DURING PERIODS OF DECLINING INTEREST RATES, HOMEOWNERS MAY REFINANCE THEIR HIGH-RATE MORTGAGES AND PREPAY THE PRINCIPAL. SUCH PREPAYMENTS GENERALLY HAVE A NEGATIVE EFFECT ON MORTGAGE -BACKED SECURITIES, BECAUSE CASH FROM THE PREPAYMENTS MUST BE REINVESTED IN SECURITIES WITH LOWER YIELDS. IF YOU CHOOSE TO INVEST IN THE F FUND, YOU MUST FORMALLY ACKNOWLEDGE THAT YOU UNDERSTAND AND ACCEPT THE RISKS INVOLVED.

C. COMMON STOCK INDEX INVESTMENT (C FUND) IS THE TSP'S LARGE-COMPANY U.S. STOCK FUND. IT IS INVESTED PRIMARILY IN SHARE S OF THE BARCLAYS EQUITY INDEX FUND, A COMMINGLED STOCK INDEX FUND THAT TRACKS THE STANDARD & POORS 500 (S&P 500) STOCK INDEX. THE BARCLAYS EQUITY INDEX FUND HOLDS COMMON STOCKS OF ALL THE COMPANIES REPRESENTED IN THE S&P 500 INDEX. A SMALL PORTION OF THE EQUITY INDEX FUND ASSETS IS INVESTED IN S&P 500 INDEX FUTURES CONTRACTS TO

PROVIDE LIQUIDITY. C FUND CONTRIBUTIONS ARE INVESTED IN THE EQUITY INDEX FUND REGARDLESS OF GAINS OR LOSSES IN THE STOCK MARKET. THE C FUND GIVES TSP PARTICIPANTS THE OPPORTUNITY TO DIVERSIFY THEIR INVESTMENTS AMONG A BROAD RANGE OF STOCKS. RETURNS CAN MOVE UP SHARPLY WITH FAVORABLE CHANGES IN CONDITIONS AFFECTING THE U.S. ECONOMY, FOREIGN ECONOMIES, AN INDUSTRY, OR AN INDIVIDUAL COMPANY. IT PROVIDES AN OPPORTUNITY TO EARN THE RELATIVELY HIGH INVESTMENT RETURNS SOMETIMES AVAILABLE FROM STOCKS, WHILE LESSENING THE EFFECT OF POOR INVESTMENT PERFORMANCE BY AN INDIVIDUAL COMPANY OR INDUSTRY. THE RISK OF INVESTING IN THE C FUND IS THAT THE VALUE OF STOCKS CAN

DECLINE SHARPLY WITH UNFAVORABLE CHANGES IN ECONOMIC CONDITIONS, AN INDUSTRY, OR EVEN AN INDIVIDUAL COMPANY. DEPENDING ON THE SIZE OF THE DECLINE, THE TOTAL RETURN ON THE STOCKS HELD BY A STOCK FUND COULD BE NEGATIVE, RESULTING IN A LOSS TO THE FUND HOLDER. THERE IS NO ASSURANCE THAT FUTURE RATES OF RETURN WILL REPLICATE ANY OF THE HISTORIC RATES OF RETURN FOR THIS FUND. IF YOU CHOOSE TO CONTRIBUTE, YOU MUST FORMALLY ACKNOWLEDGE THAT YOU UNDERSTAND AND ACCEPT THE RISKS INVOLVED.

D. SMALL CAPITALIZATION STOCK INDEX INVESTMENT FUND (S FUND) IS THE TSP'S MEDIUM AND SMALL COMPANY STOCK FUND. THE OBJECTIVE OF THE S FUND IS TO TRACK THE RETURNS OF THE WILSHIRE 4500 STOCK INDEX, WHICH INCLUDES THOSE U.S. STOCKS THAT ARE NOT FOUND IN THE S&P 500 INDEX. THE S FUND MEETS THIS OBJECTIVE BY INVESTING IN SHARES OF THE BARCLAYS EXTENDED MARKET INDEX FUND, WHICH HOLDS COMMON STOCKS OF COMPANIES IN THE WILSHIRE 4500 INDEX. S FUND CONTRIBUTIONS ARE INVESTED IN THE BARCLAYS EXTENDED MARKET INDEX FUND REGARDLESS OF GAINS OR LOSSES IN THE STOCK MARKET. THE ADVANTAGES AND RISKS OF THE S FUND ARE THE SAME AS DISCUSSED FOR THE C FUND. IN ADDITION, HISTORICALLY, STOCKS OF MID-SIZE AND SMALLER COMPANIES TEND TO BE MORE VOLATILE IN PRICE AND THEREFORE POTENTIALLY RISKIER THAN STOCKS OF THE LARGER COMPANIES IN THE C FUND'S S&P 500 INDEX. IF YOU CHOOSE TO CONTRIBUTE IN THE S FUND, YOU MUST FORMALLY ACKNOWLEDGE THAT YOU UNDERSTAND AND ACCEPT THE RISKS INVOLVED.

E. INTERNATIONAL STOCK INDEX FUND (I FUND) TRACKS THE RETURNS OF THE MORGAN STANLEY CAPITAL INTERNATIONAL EAFE (EUROPE, AUSTRALIA, AND FAR EAST) STOCK INDEX, AN INDEX THAT TRACKS THE OVERALL PERFORMANCE OF THE MAJOR COMPANIES AND INDUSTRIES IN THE EUROPEAN, AUSTRALIAN, AND ASIAN STOCK MARKETS. I FUNDS IS INVESTED IN SHARES OF THE BARCLAYS EAFE INDEX FUND. I FUND CONTRIBUTIONS ARE INVESTED IN THE EAFE INDEX FUND REGARDLESS OF GAINS OR LOSSES IN THE INTERNATIONAL MARKETS. THE ADVANTAGES AND RISKS OF THE I FUND ARE THE SAME AS DISCUSSED IN THE C FUND. HOWEVER, THE I FUND ALSO CARRIES THE RISK OF FOREIGN CURRENCY FLUCTUATIONS. THE STOCK PRICES OF THE COMPANIES IN THE EAFE INDEX ARE EXPRESSED IN THE CURRENCY OF EACH RESPECTIVE COUNTRY AND THEN CONVERTED TO U.S. DOLLARS TO DETERMINE THE VALUE OF THE EAFE INDEX. THUS, THE VALUE OF THE EAFE INDEX WILL RISE AS THE VALUE OF THE U.S. DOLLAR FALLS - AND FALL AS THE VALUE OF THE U.S. DOLLAR RISES. HISTORICALLY, THE STOCKS HELD BY THE BARCLAYS EAFE INDEX FUND TEND TO BE MORE VOLATILE IN PRICE AND, THEREFORE, POTENTIALLY RISKIER THAN THE STOCKS HELD BY THE INDEX FUNDS UNDERLYING THE C AND S FUNDS. IF YOU CHOOSE TO CONTRIBUTE IN THE S FUND, YOU MUST FORMALLY ACKNOWLEDGE THAT YOU UNDERSTAND AND ACCEPT THE RISKS INVOLVED.

17. TSP ELECTION FORM

A. TO START A TSP CONTRIBUTION, CHANGE THE AMOUNT OF A

CONTRIBUTION, OR STOP A CONTRIBUTION YOU MUST FILL OUT THE TSP -U-1 ELECTION FORM WHICH IS AVAILABLE AT WEB.PERSNET.NAVY.MIL, WWW.TSP.GOV, PAY AND PERSONNEL OFFICES OR FLEET AND FAMILY SUPPORT CENTERS AFTER 1 OCT 01. ONCE COMPLETED, SUBMIT THE TSP -U-1 FORM TO YOUR LOCAL PAY AND PERSONNEL OFFICE WHO WILL FORWARD YOUR ELECTION VIA THE UNIFORMED MICROCOMPUTER DISBURSING SYSTEM (UMIDS) AND ELECTRONIC TRANSFER TO DFAS FOR PROCESSING.

B. INSTRUCTIONS FOR COMPLETING TSP -U-1 FORM.

(1) COMPLETE PART I BY FILLING OUT BLOCKS 1-6 WITH YOUR FULL NAME, ADDRESS (MAY BE APO OR FPO), SOCIAL SECURITY NUMBER, PHONE NUMBER WHERE NFC CAN REACH YOU DURING THE DAY, DATE OF BIRTH, AND UNIT IDENTIFICATION CODE (UIC) AS YOUR OFFICE IDENTIFICATION CODE. IT IS VERY IMPORTANT THAT YOU ACCURATELY LIST YOUR MAILING ADDRESS IN BLOCK 2 SO THAT NFC CAN MAIL YOU YOUR INTRODUCTORY TSP INFORMATION PACKET AND PIN NUMBER.

(2) TO START OR CHANGE YOUR TSP CONTRIBUTION COMPLETE PART II BY FILLING IN BLOCKS 7-10 WITH THE PERCENTAGE OF CONTRIBUTION YOU WISH TO CONTRIBUTE FROM YOUR BASE PAY, BONUSES, SPECIAL OR INCENTIVE PAY. TO PARTICIPATE IN TSP, YOU MUST LIST A BASE PAY CONTRIBUTION OF AT LEAST ONE PERCENT. YOUR TOTAL BASE PAY, BONUS, SPECIAL AND INCENTIVE PAY CONTRIBUTIONS MUST NOT EXCEED ANNUAL IRC LIMITS.

EXAMPLE 1: LET'S ASSUME YOUR BASE PAY IS \$1,500 A PAY PERIOD (MONTH) AND YOU ARE NOT ASSIGNED TO A COMBAT ZONE OR A QUALIFIED HAZARDOUS DUTY SO YOUR BASE PAY IS TAXABLE INCOME. NEITHER ARE YOU CONTRIBUTING TO ANY OTHER 401(K) PLAN, INDIVIDUAL RETIREMENT ACCOUNT (IRA), OR OTHER RETIREMENT FUND COVERED BY IRC LIMITS. YOUR 2002 TAX YEAR BASE PAY CONTRIBUTION MUST BE A MINIMUM OF ONE PERCENT (\$15) AND NO MORE THAN SEVEN PERCENT (\$105) EACH PAY PERIOD (MONTH). AT THE END OF THE 2002 CALENDAR TAX YEAR YOU WILL HAVE CONTRIBUTED BETWEEN A MINIMUM OF \$180 (ONE PERCENT OF YOUR BASE PAY) UP TO A MAXIMUM OF \$1260 (SEVEN PERCENT OF YOUR BASE PAY). SINCE YOUR MAXIMUM CONTRIBUTION IN 2002 IS LIMITED BY IRC TO \$11,000, YOU HAVE THE FLEXIBILITY TO CONTRIBUTE UP TO \$10,820 FROM A BONUS, SPECIAL OR INCENTIVE PAY IF YOU CONTRIBUTED THE MINIMUM ONE PERCENT OF YOUR BASE PAY (UP TO \$9,740 IF YOU CONTRIBUTED THE MAXIMUM SEVEN PERCENT). LET'S ASSUME YOU RECEIVE A \$15,000 SELECTIVE REENLISTMENT BONUS (SRB) IN CALENDAR YEAR 2002. YOU CAN ELECT TO CONTRIBUTE UP TO 72 PERCENT (\$10,800) OF YOUR SRB IF YOU ENROLLED FOR ONE PERCENT OF YOUR BASE PAY, AND UP TO 64 PERCENT (\$9,600) IF YOU ENROLLED FOR SEVEN PERCENT OF YOUR BASE PAY. LET'S ASSUME YOU WANT TO PUT ONE PERCENT OF YOUR BASE PAY AND 72 PERCENT OF YOUR SRB INTO TSP. YOU WOULD FILL OUT SECTION II BLOCK 7 AS "1" AND BLOCK 10 AS "72." BLOCKS 8 AND 9 WOULD BE LEFT BLANK.

EXAMPLE 2: LET'S STILL ASSUME YOUR BASE PAY IS \$1500 A PAY PERIOD (MONTH) AND YOU ARE ELIGIBLE FOR FULL COMBAT ZONE TAX EXCLUSION THE LAST FOUR MONTHS OF THE CALENDAR TAX YEAR. YOU ALSO CONTRIBUTE \$2,000 TO A ROTH IRA. YOUR 2002 TAX YEAR BASE PAY CONTRIBUTION MUST BE A MINIMUM OF ONE PERCENT (\$15) AND NO MORE THAN SEVEN PERCENT (\$105) EACH PAY PERIOD (MONTH). AT THE END OF THE 2002 CALENDAR TAX YEAR YOU WILL HAVE CONTRIBUTED BETWEEN A MINIMUM OF \$180 (\$60 TAX EXEMPT/\$120 TAXABLE INCOME) AT ONE PERCENT OF YOUR BASE PAY, UP TO A MAXIMUM OF \$1260 (\$420 TAX EXEMPT/\$840 TAXABLE INCOME) AT SEVEN PERCENT OF YOUR BASE PAY. LET'S ASSUME YOU RECEIVE A \$15,000 SRB WHILE YOU ARE IN A COMBAT ZONE IN CALENDAR YEAR 2002. YOU CAN CONTRIBUTE UP TO 100% OF YOUR SRB TO TSP SINCE YOUR IRC SECTION 402(G) LIMIT OF \$11,000 IN CALENDAR YEAR 2002 DOESN'T APPLY TO YOUR

TAX EXEMPT SRB. YOU DO HAVE TO COMPLY WITH THE IRC SECTION 415 LIMIT OF \$40,000 IN COMBINED TAX AND TAX EXEMPT CONTRIBUTIONS IN CALENDAR TAX YEAR 2002. LET'S ASSUME YOU CONTRIBUTE ONE PERCENT OF YOUR BASE PAY AND 100 PERCENT OF YOUR SRB TO TSP. WITH A \$15,180 TSP CONTRIBUTION (\$180 BASE PAY AND \$15,000 SRB) AND YOUR \$2,000 IRA CONTRIBUTION YOU ARE WITHIN THE \$40,000 IRC 415 LIMIT. YOU WOULD FILL OUT SECTION II BLOCK 7 AS "1" AND BLOCK 10 AS "100." BLOCKS 8 AND 9 WOULD BE LEFT BLANK.

(3) TO STOP A TSP CONTRIBUTION COMPLETE PART III BY FILLING IN BLOCKS 11 - 14. THESE BLOCKS ARE SELF-EXPLANATORY.

(4) TO AUTHENTICATE YOUR ELECTION COMPLETE PART IV BY SIGNING THE FORM IN BLOCKS 15 AND PUTTING THE DATE OF YOUR SIGNATURE IN BLOCK 16.

(5) SUBMIT YOUR TSP-U-1 FORM TO YOUR PAY AND PERSONNEL OFFICE, SHIP'S PERSONNEL OFFICE OR RESERVE CENTER FOR COMPLETION OF SECTION V, AND PROCESSING TO DFAS.

C. ONCE DFAS RECEIVES THE UMIDS/ELECTRONIC TRANSFER INFORMATION ON YOUR TSP-U-1 ELECTION, THEY WILL PROCESS THE ELECTION IN YOUR PAY ACCOUNT, AND FORWARD THE ELECTION TO THE NFC TSP RECORD KEEPER TO OPEN YOUR TSP ACCOUNT. DFAS WILL INCLUDE YOUR TSP CONTRIBUTION FROM YOUR BASE PAY, BONUSES, SPECIAL AND INCENTIVE PAY ON YOUR LEAVE AND EARNING STATEMENT (LES) AND W-2. IF AN ERROR IS FOUND ON A LES OR W-2 CONCERNING YOUR TSP CONTRIBUTION, CONTACT YOUR PAY AND PERSONNEL OFFICE, SHIP'S PERSONNEL OFFICE OR RESERVE CENTER TO FILE A CLAIM.

RELEASED BY VADM NORB RYAN, JR., N1//

BT
NNNN

Part 2 of 2
ADMINISTRATIVE MESSAGE

PRIORITY

P 022112Z OCT 01 ZYB MIN PSN 355834F28

FM CNO WASHINGTON DC//N1//

TO NAVADMIN

THIS IS A 3 SECTIONED MSG COLLATED BY MDS
UNCLAS //07000//
NAVADMIN 258/01
PART TWO OF TWO - PART ONE IDENT IS 022110Z OCT 01

MSGID/GENADMIN/N1//

SUBJ/IMPLEMENTING GUIDANCE ON UNIFORMED SERVICES THRIFT SAVINGS PLAN
//

REF/A/DOC/FY-00 NDAA/05OCT1999//

REF/B/DOC/FY-01 NDAA/30OCT2000//

REF/C/DOC/DOD/01JAN1999//

REF/D/DOC/DOD/01MAY2001//

REF/E/DOC/DOD/01MAY2001//

REF/G/DOC/DOD/01AUG2001//

REF/H/DOC/DOD/01AUG2001//

NARR/REF A IS PUBLIC LAW IAW 106-65, SEC 661. REF B IS PUBLIC LAW 106-398, SEC 661. REF C IS TITLE 5, CODE OF FEDERAL REGULATIONS (CFR), CHAPTER 6. REF D IS DOD DIRECTIVE 1341.4, THRIFT SAVINGS PLAN (DRAFT). REF E IS DODFMR, VOLUME 7A, CHAPTER 31 SAVINGS PROGRAM (DRAFT). REF F IS DODFMR. VOLUME 7C, CHAPTER 10, TSP (DRAFT). REF G IS TSP WEBSITE: WWW.TSP.GOV. REF H IS TSP BULLETINS, FEDERAL RETIREMENT THRIFT INVESTMENT BOARD.//

RMKS/18. NFC TSP ACCOUNT

A. NFC INVESTS ALL OF YOUR TSP CONTRIBUTIONS IN THE G FUND UNTIL YOU MAKE A CONTRIBUTION ALLOCATION OR INTERFUND TRANSFER BY EITHER:

- (1) USING THE TSP WEB SITE, WWW.TSP.GOV
- (2) CALLING THE THRIFTLINE'S AUTOMATED TELEPHONE SERVICE, AT (504) 255-8777. THRIFTLINE IS AN AUTOMATED VOICE RESPONSE SYSTEM AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.

(3) SUBMITTING A FORM TSP-U-50 TO THE TSP SERVICE OFFICE, NATIONAL FINANCE CENTER, P.O. BOX 61500, NEW ORLEANS LA 70161-1500.

B. ONCE YOUR TSP ACCOUNT IS ESTABLISHED AT NFC, THE RECORD KEEPER WILL SEND YOU A LETTER VIA REGULAR MAIL, USUALLY WITHIN 2 TO 7 DAYS, WITH INFORMATION ABOUT YOUR TSP ACCOUNT AND TSP PIN NUMBER.

- (1) YOUR TSP PIN IS A 4-DIGIT PERSONAL IDENTIFICATION NUMBER

NORMALLY MAILED TO YOU BY NFC AFTER YOUR FIRST CONTRIBUTION IS POSTED TO YOUR ACCOUNT. YOUR TSP PIN IS NOT THE SAME AS YOUR PIN FOR OTHER UNIFORMED SERVICES SYSTEMS. IF YOU ALSO HAVE A CIVILIAN TSP ACCOUNT, YOUR TSP PIN FOR EACH ACCOUNT WILL BE DIFFERENT. YOU MAY THEN CUSTOMIZE THEM TO BE THE SAME, IF YOU WISH.

(2) YOU WILL NEED YOUR TSP PIN TO ACCESS YOUR ACCOUNT BALANCE AND EXECUTE TRANSACTIONS ON THE TSP WEB SITE AND THE THRIFTLINE. IF YOU LOSE YOUR PIN OR WOULD LIKE TO CHANGE YOUR CURRENT PIN TO A 4-DIGIT PIN OF YOUR CHOICE, YOU CAN DO SO ON THE WEB SITE OR THE THRIFTLINE. YOU CAN ALSO WRITE TO THE TSP SERVICE OFFICE FOR A SYSTEM-GENERATED PIN. INCLUDE YOUR SOCIAL SECURITY NUMBER AND DATE OF BIRTH IN YOUR LETTER.

(3) A CONTRIBUTION ALLOCATION SPECIFIES THE WAY YOU WANT THE CONTRIBUTIONS TO YOUR ACCOUNT TO BE INVESTED AMONG THE FIVE TSP FUNDS. YOUR CONTRIBUTION ALLOCATION WILL APPLY TO ALL FUTURE CONTRIBUTIONS AS WELL AS LOAN PAYMENTS AND TRANSFERS FROM OTHER PLANS. IT DOES NOT AFFECT THE MONEY ALREADY IN YOUR ACCOUNT. TO SPECIFY THE WAY YOU WANT YOUR CONTRIBUTIONS TO BE INVESTED, USE THE TSP WEB SITE, THRIFTLINE, OR SUBMIT FORM TSP-U-50 TO THE NFC RECORD KEEPER. THE FIRST TIME YOU MAKE A CONTRIBUTION ALLOCATION YOU MUST ACKNOWLEDGE THE RISK OF INVESTING IN THE F, C, S, AND I FUNDS.

(4) YOU MAY MAKE AN INTERFUND TRANSFER OF ALL OR SOME OF YOUR EXISTING ACCOUNT BALANCE BETWEEN THE FIVE TSP FUNDS. YOU CAN ONLY MAKE CHANGES IN TERMS OF THE PERCENTAGE OF YOUR TOTAL ACCOUNT BALANCE. YOU CANNOT REQUEST TO HAVE A SPECIFIC DOLLAR AMOUNT. AN INTERFUND TRANSFER IS DIFFERENT FROM A CONTRIBUTION ALLOCATION BECAUSE THE INTERFUND TRANSFER INVOLVES ONLY MONEY THAT IS ALREADY IN YOUR ACCOUNT. IT DOES NOT CHANGE THE WAY NEW CONTRIBUTIONS ARE ALLOCATED TO THE FIVE FUNDS. BEFORE MAKING AN INTERFUND TRANSFER, YOU SHOULD CAREFULLY CONSIDER THE ADVANTAGES AND RISKS INVOLVED. TSP IS NOT RESPONSIBLE FOR INVESTMENT RESULTS. THE LAW REQUIRES THAT YOU SIGN A STATEMENT ACKNOWLEDGING THAT YOU UNDERSTAND AND ACCEPT THE RISKS OF INVESTING IN THE F, C, S, AND I FUNDS BEFORE YOU MAY INVEST IN ANY OF THESE FUNDS. THE TSP RECORD KEEPER PROCESSES INTERFUND TRANSFER REQUESTS MONTHLY, EFFECTIVE AS OF THE END OF THE MONTH. YOU CAN MAKE AN INTERFUND TRANSFER IN ANY MONTH, WITHOUT AN ANNUAL LIMIT. THE TSP WEB SITE AND THE THRIFTLINE ARE THE MOST EFFICIENT WAYS FOR YOU TO REQUEST AN INTERFUND TRANSFER BY ENTERING YOUR SOCIAL SECURITY NUMBER, TSP PIN NUMBER AND PASSWORD. YOU CAN ALSO SUBMIT AN INTERFUND TRANSFER REQUEST ON FORM TSP-U-50 "INVESTMENT ALLOCATION" AND MAIL THE FORM DIRECTLY TO NFC.

C. MEMBERS MUST DEAL DIRECTLY WITH NFC ON ANY QUESTIONS ABOUT THEIR TSP ACCOUNT. NEITHER THE NAVY OR DFAS WILL HAVE ACCESS TO YOUR TSP ACCOUNT AND CANNOT ANSWER QUESTIONS ABOUT THE ACCOUNT BALANCE, INTERFUND TRANSFERS, LOANS, ETC.

19. THE OPTION TO STOP CONTRIBUTING TO TSP IS PERMITTED AT ANY TIME.

A. IF YOU STOP BASE PAY CONTRIBUTIONS YOU MUST ALSO STOP ALL OTHER BONUS, SPECIAL OR INCENTIVE PAY CONTRIBUTIONS. IF YOU STOP CONTRIBUTING OUTSIDE OF AN OPEN SEASON, YOU MUST WAIT UNTIL THE SECOND OPEN SEASON TO REENROLL IN THE TSP. IF YOU STOP YOUR CONTRIBUTIONS DURING AN OPEN SEASON, YOU MAY REENROLL IN THE TSP DURING THE NEXT OPEN SEASON.

B. IF YOU STOP YOUR SPECIAL, INCENTIVE, OR BONUS PAY CONTRIBUTION YOU DO NOT NEED TO STOP YOUR BASE PAY CONTRIBUTION. IF YOU STOP YOUR CONTRIBUTION OUTSIDE OF AN OPEN SEASON, YOU MUST WAIT UNTIL THE SECOND OPEN SEASON TO REINSTATE YOUR SPECIAL OR INCENTIVE PAY CONTRIBUTION. IF YOU STOP YOUR CONTRIBUTION DURING AN OPEN

SEASON, YOU MAY REINSTATE YOUR SPECIAL OR INCENTIVE PAY DURING THE NEXT OPEN SEASON.

20. MATCHING CONTRIBUTIONS.

A. AS A RETENTION INITIATIVE, THE SECRETARY OF THE NAVY IS AUTHORIZED TO ENTER INTO AN AGREEMENT WITH YOU TO MAKE MATCHING TSP CONTRIBUTIONS IF YOU ARE IN A CRITICAL SPECIALTY AND AGREE TO SERVE ON ACTIVE DUTY IN YOUR CRITICAL SKILL FOR A PERIOD OF SIX YEARS.

B. AT THIS TIME, THE NAVY DOES NOT INTEND TO USE THIS AUTHORITY IN 2002. THE CENTER FOR NAVAL ANALYSIS IS STUDYING THIS TOOL TO SEE IF IT HAS UTILITY IN THE FUTURE AGAINST THE PROVEN SUCCESS OF OUR BONUSES, SPECIAL AND INCENTIVE PAYS. POLICY, PROCEDURES, AND ELIGIBLE SKILLS WILL BE PUBLISHED BY SEPARATE NAVADMIN SHOULD THE DECISION BE MADE TO OFFER MATCHING FUNDS IN THE FUTURE.

21. TSP LOAN PROGRAM.

A. YOU ARE ELIGIBLE TO OBTAIN A TSP LOAN WHILE YOU HAVE A TSP ACCOUNT AND YOU ARE IN A PAY STATUS. YOU MUST BE IN A PAY STATUS, BECAUSE YOU REPAY YOUR TSP LOAN THROUGH PAYROLL DEDUCTIONS. YOU CANNOT BORROW ANY MATCHING CONTRIBUTIONS IN YOUR ACCOUNT OR ANY EARNINGS ATTRIBUTABLE TO THOSE CONTRIBUTIONS. YOU MAY HAVE A TOTAL OF TWO LOANS. WHEN YOU HAVE BOTH A CIVILIAN TSP ACCOUNT AND A UNISERV TSP ACCOUNT, THE MAXIMUM LOAN AMOUNT APPLIES TO THE COMBINED ACCOUNTS AND NOT TO EACH ACCOUNT SEPARATELY.

B. THERE ARE TWO TYPES OF LOANS. THE FIRST IS A GENERAL PURPOSE LOAN IN WHICH YOU CAN APPLY FOR A REPAYMENT PERIOD OF ONE TO FOUR YEARS. THE SECOND, IS A RESIDENTIAL LOAN FOR A PRIMARY RESIDENCE. YOU CAN APPLY FOR A RESIDENTIAL LOAN WITH A REPAYMENT PERIOD OF ONE TO FIFTEEN YEARS. NO DOCUMENTATION IS REQUIRED FOR A GENERAL PURPOSE LOAN, BUT YOU MUST SUBMIT DOCUMENTATION (SUCH AS A CONTRACT FOR THE PURCHASE OF YOUR RESIDENCE) TO SUPPORT THE AMOUNT YOU ARE REQUESTING FOR A RESIDENTIAL LOAN.

C. THE MINIMUM AMOUNT YOU CAN BORROW IS \$1,000. YOU MUST HAVE AT LEAST \$1,000 OF YOUR OWN CONTRIBUTIONS AND EARNINGS IN YOUR TSP ACCOUNT TO APPLY FOR A LOAN.

D. THE MAXIMUM LOAN AMOUNT IS \$50,000. THIS AMOUNT IS GOVERNED BY THE FEDERAL EMPLOYEES' RETIREMENT SYSTEM ACT (FERSA) OF 1986 AND IRC SECTION 72(P).

E. AT PRESENT, THE FOLLOWING RULES APPLY:

(1) YOU CAN NEVER BORROW MORE THAN THE AMOUNT OF YOUR OWN CONTRIBUTIONS AND EARNINGS.

(2) IF YOU HAVE NOT HAD A TSP LOAN OUTSTANDING DURING THE PAST YEAR, AND YOUR CONTRIBUTIONS AND EARNINGS ARE \$10,000 OR LESS, YOU CAN BORROW UP TO THE FULL AMOUNT OF YOUR CONTRIBUTIONS AND EARNINGS.

(3) IF YOU HAD A TSP LOAN OUTSTANDING DURING THE PAST 12 MONTHS, OR IF YOUR CONTRIBUTIONS AND EARNINGS ARE GREATER THAN \$10,000, YOU SHOULD USE THE WORKSHEET IN THE TSP PUBLICATION ON LOANS TO ESTIMATE THE MAXIMUM AMOUNT YOU ARE ALLOWED TO BORROW.

F. THE INTEREST RATE ON YOUR LOAN IS THE POSTED RATE FOR THE G FUND AT THE TIME THE TERMS OF THE LOAN ARE ESTABLISHED. THE RATE IS FIXED AT THAT LEVEL FOR THE LIFE OF THE LOAN, AND THE INTEREST PAID ON THE LOAN GOES BACK TO YOUR TSP ACCOUNT. THE INTEREST PAID IS NOT TAX DEDUCTIBLE.

G. WHEN YOU HAVE CONTRIBUTIONS FROM TAX EXEMPT PAY AS WELL AS FROM TAX DEFERRED PAY, THE LOAN PRINCIPLE WILL BE MADE AND REPAID ON A PRO RATA BASIS FROM THESE FUNDS.

H. LOAN REPAYMENT WILL BE ACCOMPLISHED BY AN ALLOTMENT FROM PAY.

22. WHEN SEPARATING FROM THE UNIFORMED SERVICES, YOU MAY:

A. RECEIVE A SINGLE LUMP SUM PAYMENT.

B. ALL OR A PORTION OF THE ACCOUNT CAN BE TRANSFERRED TO AN INDIVIDUAL RETIREMENT ACCOUNT (IRA) OR OTHER ELIGIBLE RETIREMENT PLAN (E.G., A 401(K) PLAN OR A CIVILIAN TSP ACCOUNT).

(1) TAX-EXEMPT TSP CONTRIBUTIONS ARE NOT ELIGIBLE FOR TRANSFER TO AN IRA OR OTHER ELIGIBLE RETIREMENT PLAN. THESE CONTRIBUTIONS WILL BE PAID DIRECTLY TO YOU.

(2) THE TAXABLE EARNINGS ATTRIBUTABLE TO THE TAX-EXEMPT CONTRIBUTIONS ARE ELIGIBLE FOR TRANSFER TO AN IRA OR OTHER ELIGIBLE RETIREMENT PLAN.

C. REQUEST A SERIES OF MONTHLY PAYMENTS BASED ON A DOLLAR AMOUNT, A NUMBER OF MONTHS, OR YOUR LIFE EXPECTANCY. ALL OR A PORTION OF CERTAIN MONTHLY PAYMENTS CAN BE TRANSFERRED TO AN IRA OR OTHER ELIGIBLE RETIREMENT PLAN;

D. REQUEST A TSP ANNUITY. YOU MUST HAVE AT LEAST \$3,500 IN THE ACCOUNT IN ORDER TO PURCHASE AN ANNUITY;

E. LEAVE THE MONEY IN THE TSP WHERE IT WILL CONTINUE TO ACCRUE EARNINGS. YOU MUST BEGIN WITHDRAWING FROM THE ACCOUNT NO LATER THAN APRIL 1 OF THE YEAR FOLLOWING THE YEAR YOU TURN 70 YEARS AND SIX MONTHS OLD.

23. IN GENERAL UNISERV TSP IS THE SAME AS TSP FOR FEDERAL EMPLOYEES. THEY BOTH INCLUDE BEFORE-TAX SAVINGS AND TAX-DEFERRED INVESTMENT EARNINGS, FIVE DIVERSIFIED FUNDS, LOW ADMINISTRATIVE AND INVESTMENT EXPENSES, MEMBER CONTRIBUTION ALLOCATION AND INTERFUND TRANSFERS, ROLLOVERS FROM QUALIFIED RETIREMENT PLANS, IN AND POST SERVICE WITHDRAWALS, WEBSITE AND THRIFTLINE INTERFACE, SPOUSAL RIGHTS, ETC. DETAILED INFORMATION ON THESE AND OTHER FEATURES CAN BE FOUND IN SPECIFIED REFERENCES AND, IN PARTICULAR, AT THE TSP WEBSITE.

24. RESPONSIBILITIES

A. DEPUTY CHIEF OF NAVAL OPERATIONS (MANPOWER AND PERSONNEL) WILL SERVE AS THE CENTRAL POINT OF CONTACT ON TSP POLICY.

B. DIRECTOR OF NAVAL RESERVE (N095/CNRC/N1) WILL BE RESPONSIBLE FOR TSP POLICY, TRAINING, AND INPUT SYSTEM COORDINATION FOR NAVY RESERVISTS.

C. COMMANDER, NAVY PERSONNEL COMMAND WILL BE RESPONSIBLE FOR TSP TRAINING AND INPUT SYSTEM COORDINATION FOR ACTIVE DUTY NAVY PERSONNEL.

(1) PERS-6 WILL PROVIDE TRAINING FOR FINANCIAL COUNSELING ON THE TSP TO FINANCIAL EDUCATORS (FE) LOCATED AT THE FLEET AND FAMILY SUPPORT CENTERS (FFSC). ONCE TRAINED, FE'S WILL PROVIDE TSP TRAINING CLASSES AND SEMINARS FOR COMMAND FINANCIAL SPECIALISTS (CFS).

(2) PERS-6/TAMP WILL PROVIDE FINANCIAL COUNSELING TO MILITARY MEMBERS REGARDING TSP SEPERATION/RETIREMENT BENEFITS.

(3) PERS-621/CASUALTY ASSISTANCE WILL INCLUDE TSP SURVIVOR BENEFITS IN CACO COUNSELING.

D. PERSONNEL SUPPORT ACTIVITY DETACHMENTS, SHIP'S PERSONNEL OFFICES, AND NAVY RESERVE CENTERS ARE RESPONSIBLE FOR PROCESSING TSP-U-1 ELECTIONS AND CLAIMS.

E. CHIEF OF EDUCATION AND TRAINING WILL DEVELOP AND OPERATE INTRODUCTORY PROGRAMS FOR ACCESSIONS AND ENSURE ELIGIBLE ACCESSIONS ARE ADVISED OF OPPORTUNITY TO ENROLL IN TSP AND GIVEN THAT OPPORTUNITY.

F. FLEET AND FAMILY SUPPORT CENTER FINANCIAL EDUCATORS AND COMMAND FINANCIAL SPECIALISTS SHALL PROVIDE FINANCIAL CO UNSELING TO

MILITARY MEMBERS REGARDING THE TSP PROGRAM.

25. THE FEDERAL RETIREMENT THRIFT INVESTMENT BOARD PUBLISHES SUPPLEMENTAL GUIDANCE AND PROCEDURES ON THE TSP PROGRAM VIA THEIR WWW.TSP.GOV WEB SITE.

26. DFAS WILL BE RELEASING MILITARY PAY ADVISORIES ON PAY AND PERSONNEL OFFICE PROCEDURES RELATING TO ELECTIONS, CHANGES, TERMINATIONS AND CLAIMS FOR TSP.

27. FEDERAL RETIREMENT THRIFT INVESTMENT BOARD WILL PUBLISH AND N013/DIRECTOR OF RECORDS MANAGEMENT WILL DISTRIBUTE TSP FORMS AND PAMPHLETS DIRECTLY TO THE FLEET.

28. UNISERV TSP POINTS OF CONTACT:

A. MILITARY REPRESENTATIVE TO THE FEDERAL RETIREMENT THRIFT INVESTMENT BOARD - LTC T. EMSWILER, EXECUTIVE DIRECTOR, ARMED FORCES TAX COUNCIL, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FORCE MANAGEMENT POLICY (MILITARY PERSONNEL POLICY) 4000 DEFENSE, PENTAGON WASHINGTON DC.

B. DFAS/NAVY - FIELD PROCESS AND PAY POLICY/CODE PMMB COMM: (216) 522-5886/DSN 580.

C. DEPUTY CHIEF OF NAVAL OPERATIONS (MANPOWER AND PERSONNEL), LT KERRI BUTEMEYER, N130G2, (703) 614-5636/DSN 224, OR EMAIL: N130G2@BUPERS.NAVY.MIL.

D. COMMANDER, NAVY PERSONNEL COMMAND

(1) PASS ISSUES: CDR WOODIE CHEWNING, PERS 33, COMM: (901) 874-3465/DSN 882, EMAIL: P33@PERSNET.NAVY.MIL.

(2) PERSONNEL READINESS AND COMMAND SUPPORT: KATHY SINGLETARY, PERS 662, COMM: (901) 874-4393/DSN 882, EMAIL: KATHY.SINGLETARY@PERSNET.NAVY.MIL.

E. CHIEF OF NAVY EDUCATION AND TRAINING (CNET), MR BARRY HOAG, (850) 452-4197/DSN 922, EMAIL: BARRY.HOAG@CNET.NAVY.MIL

F. NAVY RESERVE/CNRF/N11/NCC GRAHAM, (504) 678-5905/DSN 678, EMAIL: GRAHAMD@CNRF.NOLA.NAVY.MIL.

29. THIS NEW BENEFIT IS A PROGRAM THAT NAVY LEADERSHIP LED THE CAMPAIGN ON FOR THE DOD. AS LEADERS IT IS INCUMBENT UPON US TO ENSURE ALL OUR PERSONNEL ARE AWARE OF THIS OUTSTANDING OPPORTUNITY SO THAT EVERY SHIPMATE CAN MAKE AN INFORMED CHOICE ABOUT THEIR FUTURE.

30. RELEASED BY VADM NORB RYAN, JR., N1.//

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